

-SF "Grand Jury



DOCUMENTS DEPT.

JAN 29 1993

SAN FRANCISCO
PUBLIC LIBRARY

BUDGET CRISIS

January 27, 1993

BACKGROUND:

San Francisco's Charter requires that the Mayor submit a balanced budget to the Board of Supervisors each June. The process was extended this year due to the state legislature/governor lock on the state budget. The State deficit announced in September resulted in a loss to San Francisco of \$53 million in state funding. The Mayor stated: "never since the Great Depression of the 1930's has the City faced a more grim and troubled financial crisis...there will be pain and sacrifice...tough decisions are inevitable..."

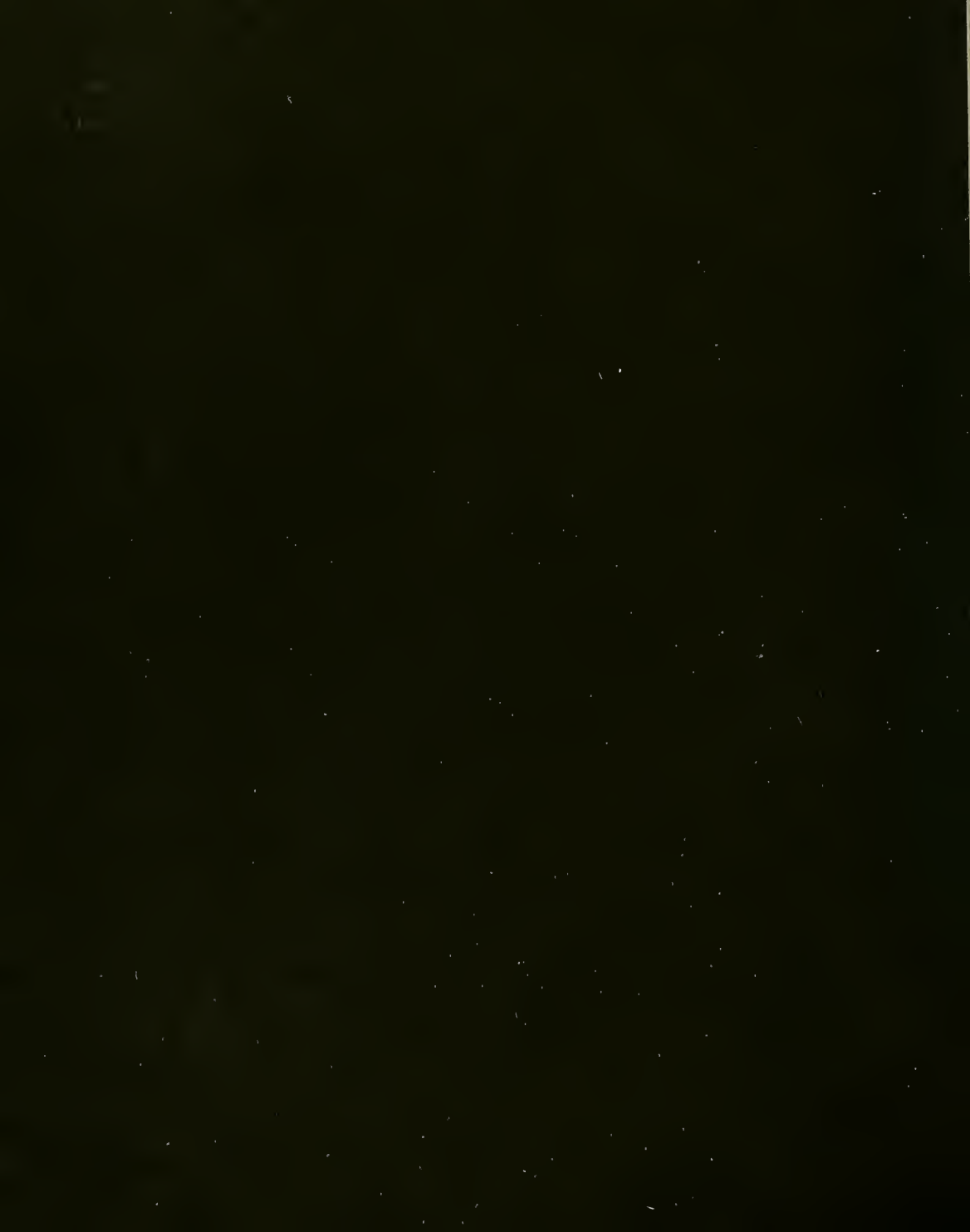
In October the Mayor, through his budget office, directed that \$15 million of the State funding be taken from the Public Utilities Commission and its three departments (Water, Hetch Hetchy, Muni). Reorganization of PUC functions, elimination of highly paid positions, service reductions, and fare increases were proposed by the Budget Analyst's Office. The budget cuts and reductions which followed in the PUC and other City Commissions and Departments led key officials to state to members of the civil grand jury that the 1992-1993 City budget is..."a disaster"..., "...some decisions reflect less than prudent fiscal policy"..., "...fixes just deferred problems from this year to the next".

FINDINGS:

Investigation uncovered the following "fixes":

\$19 million was taken from the Transit Impact Development Fund (TIDF) and transferred to the General Fund to reduce the budget deficit. The TIDF, built up from the fees paid to the City as part of the cost of downtown development, was to be used to pay for downtown transportation improvements through the year 2020. Projects to be funded through the expected life of downtown buildings now will have to be covered from other fund sources, including the General Fund.

\$2.5 million was transferred from the Water Department to the general fund as an "equity transfer" (departmental capital project funds which are declared surplus to needs, by twenty-five percent, and transferred to the general fund with PUC approval and Comptroller certification under the provisions of San Francisco Charter section 6.407e). The Mayor directed that "equity transfers" be repaid in the next fiscal year. Since the Water Department is an enterprise fund, City water user fees will be raised to cover the cost and some maintenance will be deferred.



SF "Grand Jury



DOCUMENTS DEPT.
JAN 29 1993
SAN FRANCISCO
PUBLIC LIBRARY

BUDGET CRISIS

January 27, 1993

BACKGROUND:

San Francisco's Charter requires that the Mayor submit a balanced budget to the Board of Supervisors each June. The process was extended this year due to the state legislature/governor deadlock on the state budget. The State deficit announced in September resulted in a loss to San Francisco of \$53 million in state funding. The Mayor stated: "never since the Great Depression of the 1930's has the City faced a more grim and troubled financial crisis...there will be pain and sacrifice...tough decisions are inevitable..."

In October the Mayor, through his budget office, directed that \$15 million of the State funding deficit come from the Public Utilities Commission and its three departments (Water, Hetch Hetchy, Muni). Reorganization of PUC functions, elimination of highly paid positions, service reductions, and fare increases were proposed by the Budget Analyst's Office. The budget manipulations which followed in the PUC and other City Commissions and Departments led key City officials to state to members of the civil grand jury that the 1992-1993 City budget is..."a total disaster"..., "...some decisions reflect less than prudent fiscal policy"..., "...fixes just deferred the problems from this year to the next".

FINDINGS:

Our investigation uncovered the following "fixes":

1. \$19 million was taken from the Transit Impact Development Fund (TIDF) and transferred to the General Fund to reduce the budget deficit. The TIDF, built up from the fees paid to the City as part of the cost of downtown development, was to be used to pay for downtown transportation improvements through the year 2020. Projects to be funded through the expected life of downtown buildings now will have to be covered from other fund sources, including the General Fund.
2. \$2.5 million was transferred from the Water Department to the general fund as an "equity transfer" (departmental capital project funds which are declared surplus to needs, by twenty-five percent, and transferred to the general fund with PUC approval and Comptroller certification under the provisions of San Francisco Charter section 6.407e). The Mayor directed that "equity transfers" be repaid in the next fiscal year. Since the Water Department is an enterprise fund, City water user fees will be raised to cover the cost and some maintenance will be deferred.

D

3 1223 04289 8446

3. \$2.5 million was transferred from Hetch Hetchy Water and Power to the general fund as another "equity transfer". This money is to be taken from the "dry year power purchase contingency capital program". This is a risk decision. These funds will be required if the current drought continues. Some maintenance may be deferred.

4. A sale was proposed of Water Department land presently leased to the Olympic Club. This one time inflow of cash to the general fund will remove from the City's yearly revenue stream the rental amount of the lease.

5. \$1 million was transferred from the Water Department to the Fire Department to manage the high pressure water lines, Auxiliary Water Supply System. The cost of maintenance and repair of these lines, which belong to the Fire Department, will be transferred to the Water Department. Water rates will be raised to pay for this action..



SAN FRANCISCO PUBLIC LIBRARY

REFERENCE BOOK

Not to be taken from the Library

Departments are facing a budget deficit of over \$20 million in the of these "fixes".

illion from the Airport Commission was advanced to the general re airport concessions sales. Interest must be paid. The recent rogram was a similar adjustment.

general funds, such as property taxes, are down. Federal and rest loans are anticipated to be severely reduced next year. icit is expected to be \$200 million in fiscal year 1993-1994.

e preceding paragraphs will reduce the budget next fiscal year. to future budget problems.

ors established the Joint Task Force to Resolve the City's Fiscal Little action has been taken, despite weeks of meetings.

e 1992-1993 budget process is summarized in a quote from "Corporate sin is not so prejudicial as a public indecency."

A blue print for change exists in the Mayor's Fiscal Advisory Committee (MFAC) Report, which shows that over the years, as San Francisco has enjoyed bountiful revenues, policy makers have opted to provide higher and higher levels of service. The study confirms another trend. The growth rate of expenditures is growing significantly faster than the growth rate of revenues available to the City.

REF 352.12 C128b

California. Grand Jury
(San Francisco)
Budget crisis /

1993.

3 1223 04289 8446

3. \$2.5 million was transferred from Hetch Hetchy Water and Power to the general fund as another "equity transfer". This money is to be taken from the "dry year power purchase contingency capital program". This is a risk decision. These funds will be required if the current drought continues. Some maintenance may be deferred.

4. A sale was proposed of Water Department land presently leased to the Olympic Club. This one time inflow of cash to the general fund will remove from the City's yearly revenue stream the rental amount of the lease.

5. \$1 million was transferred from the Water Department to the Fire Department to manage the high pressure water lines, Auxiliary Water Supply System. The cost of maintenance and repair of these lines, which belong to the Fire Department, will be transferred to the Water Department. Water rates will be raised to pay for this action..

The PUC and its subordinate departments are facing a budget deficit of over \$20 million in the next fiscal year as a direct result of these "fixes".

In other City departments, \$25 million from the Airport Commission was advanced to the general fund from the City's share of future airport concessions sales. Interest must be paid. The recent "found" money in the retirement program was a similar adjustment.

The historic trends on sources of general funds, such as property taxes, are down. Federal and state funds, grants and low interest loans are anticipated to be severely reduced next year. Consequently, the City budget deficit is expected to be \$200 million in fiscal year 1993-1994.

None of the actions outlined in the preceding paragraphs will reduce the budget next fiscal year. In fact, as indicated, they will add to future budget problems.

The Mayor and Board of Supervisors established the Joint Task Force to Resolve the City's Fiscal Crisis with four working groups. Little action has been taken, despite weeks of meetings.

The Civil Grand Jury view of the 1992-1993 budget process is summarized in a quote from Cervantes in Don Quixote: "A private sin is not so prejudicial as a public indecency."

A blue print for change exists in the Mayor's Fiscal Advisory Committee (MFAC) Report, which shows that over the years, as San Francisco has enjoyed bountiful revenues, policy makers have opted to provide higher and higher levels of service. The study confirms another trend. The growth rate of expenditures is growing significantly faster than the growth rate of revenues available to the City.

REF 352.12 C128b

California. Grand Jury
(San Francisco)
Budget crisis /

1993.



Digitized by the Internet Archive
in 2013

<http://archive.org/details/budgetcrisis1993cali>

RECOMMENDATIONS:

1. In the future, the Mayor must reject all one-time budget "fixes", such as those outlined in the Findings.
2. The Mayor and the Board of Supervisors must put aside differences and work together to spend at or below what is incoming. The unions must cooperate. It is now time to make the "tough decisions" concerning Charter revision, Civil Service reform, organizational restructuring, and reductions in the work force.
3. The Mayor must direct Commissioners and Department Heads to consider for implementation recommendations found in the Mayor's Fiscal Advisory Committee Report and report back on the status.

Final Report Released January 27, 1993
1992-1993 Civil Grand Jury
City and County of San Francisco

